

FILED

OCT 03 2017

PETER A. MOORE, JR., CLERK
US DISTRICT COURT, EDNC
BY [Signature] DEP CLK

UNITED STATES DISTRICT COURT

for the

Eastern District of North Carolina

In the Matter of the Seizure of
(Briefly describe the property to be seized)
182.7462777 bitcoin in a Trezor device wallet with
an approximate value of \$715,151.97

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Case No. 5:17-MJ-1929-RN

**APPLICATION FOR A WARRANT
TO SEIZE PROPERTY SUBJECT TO FORFEITURE**

I, a federal law enforcement officer or attorney for the government, request a seizure warrant and state under penalty of perjury that I have reason to believe that the following property in the Eastern District of North Carolina is subject to forfeiture to the United States of America under 21 U.S.C. §

881(a)(6) (describe the property):

182.7462777 bitcoin in a Trezor device wallet with an approximate value of \$715,151.97

The application is based on these facts:

☒ Continued on the attached sheet.

[Signature]
Applicant's signature

Matthew B. Pearson, TFO, DEA
Printed name and title

Sworn to before me and signed in my presence.

Date: 10/2/17

[Signature]
Judge's signature

City and state: Raleigh, North Carolina

Robert T. Numbers, II, United States Magistrate Judge
Printed name and title

AFFIDAVIT OF MATTHEW B. PEARSON

Your Affiant, Matthew B. Pearson, swears and deposes that:

INTRODUCTION

I make this affidavit in support of a civil seizure warrant pursuant to 18 U.S.C. § 981, to forfeit and condemn to the use and benefit of the United States of America the funds and assets described below as property representing the proceeds of, involved in, or facilitating violations of, 21 U.S.C. § 841 (Unlawful Distribution of a Controlled Substance): approximately 182.7462777 bitcoin in a Trezor device wallet from Matthew Lee YENSAN of Raleigh, NC.

Detective Matthew Pearson is employed as a Cary Police Department Detective, on assignment as a Task Force Officer (TFO) with the Drug Enforcement Administration, Raleigh Resident Office TFG 1. TFO Pearson attended Basic Law Enforcement Training (BLET) at Durham Technical Community College conducted by the Durham Police Department from January 2000 - July 2000. Since that time, TFO Pearson has attended numerous training courses and seminars dealing specifically with enforcements of the North Carolina Controlled Substance Act, Advanced Narcotic Investigation, Criminal Interdiction, Human Trafficking, Gang Investigations, Hostage Negotiations, Death Investigations, Crisis Intervention, Field Training Officer and Leadership Skills. TFO Pearson has attended these courses through the North Carolina Justice Academy, Atlanta HIDTA, DEA Training Academy and local and distance colleges.

TFO Pearson has earned a Bachelor of Arts Degree from Rhode Island College in Justice Studies. I have been employed with the Cary Police Department since 2000. TFO Pearson has received his Advanced Law Enforcement Certificate from the North Carolina Criminal Justice Training and Standards Commission. TFO Pearson has been awarded the Criminal Investigative Certificate from the North Carolina Justice Academy. TFO Pearson has worked in the Drugs and Vice Unit from 2006 - 2008 and from 2010 to present. As a drug detective, TFO Pearson has investigated large and small drug investigations to include drug trafficking, gang issues, sex trafficking / prostitution and related violent crimes. TFO Pearson has conducted surveillance, executed search warrants, arrested suspects, gathered evidence, handled informants and prepared cases for trial and testimony. TFO Pearson has interviewed informants and defendants to gather drug

and other criminal activity intelligence and disseminate the intelligence and forward it to the appropriate agency.

I have reviewed reports made by the DEA and believe that the information set forth supports the seizure and forfeiture of approximately 182.7462777 bitcoin in a Trezor device wallet from Matthew Lee YENSAN of Raleigh, NC.

BACKGROUND ON DIGITAL CURRENCY

Digital currency (also known as crypto-currency and/or virtual currency) is generally defined as an electronic-sourced unit of value that can be used as a substitute for fiat currency (i.e. currency created and regulated by a government). Digital currency is not issued by any government, bank or company and is instead generated and controlled through computer software operating on a decentralized peer-to-peer network. Digital currency is not illegal in the United States and may be used for legitimate financial transactions. However, digital currency is often used for conducting illegal transactions, such as the sale of controlled substances.

Bitcoin is a type of digital currency. Bitcoin payments are recorded in a public ledger called the "blockchain" that is maintained by peer-to-peer verification, and is thus not maintained by a single administrator or entity. The security of the blockchain is established by a loosely-organized network of participants called "miners," who are permitted to record a set of transactions in the public ledger and then may collect a reward in Bitcoin for their participation. Individuals can thus acquire Bitcoins either by "mining" or by purchasing Bitcoins from other individuals. An individual can send and receive Bitcoins through peer-to-peer digital transactions or by using a third-party broker. Such transactions can be done on any type of computer, including laptop computers and smart phones. The price of Bitcoin (in USD) fluctuates on a daily basis depending on trading among buyers and sellers of Bitcoin.

Bitcoins are stored in digital "wallets." A digital wallet essentially stores the access code that allows an individual to conduct Bitcoin transactions on the public ledger.

Through the Dark Web or Dark Net, i.e., websites accessible only through encrypted means, individuals have established marketplaces, such as AlphaBay, for narcotics and other illegal items. AlphaBay is a dark website operated as a TOR hidden service. The TOR network is a special network of computers on

the Internet, distributed around the world, that is designed to conceal the true Internet Protocol ("IP") addresses of the computers accessing the network, and, thereby, the locations and identities of the network's users. TOR likewise enables websites to operate on the network in a way that conceals the true IP address of the computer servers hosting the website, which are referred to as "hidden services" on the TOR network. Such "hidden services" on TOR can only be accessed through specific web browser software designed to access the TOR network. AlphaBay and similar hidden services therefore allow users to browse anonymously to purchase a variety of illegal goods, including controlled substances.

Dark Net marketplaces like AlphaBay often only accept payment through digital currencies such as Bitcoin. Accordingly, a large amount of Bitcoin transactions by an individual is often an indicator that the individual is involved in narcotics trafficking or the distribution of other illegal items.

FACTS ESTABLISHING PROBABLE CAUSE

On July 19, 2017, Special Agent (SA) Boucher and TFO Pearson were contacted by the Charlotte North Carolina DEA Tactical Diversion investigator. The investigator informed SA Boucher and TFO Pearson that a confidential and reliable DEA source of information (SOI) had given details about a man in Raleigh, Matt YENSAN, that was mass producing Xanax on several pill presses and selling the pills on the Dark Net. The SOI indicated that he/she had helped YENSAN move multiple pill presses into storage unit # 165 located at 404 Gorman Street, Raleigh, NC (Ample Storage). Using surveillance and other investigative methods, DEA investigators determined that YENSAN resided at 8709 Hidden View Court, Raleigh, NC. Additionally, investigators observed YENSAN at the storage facility identified by the SOI entering unit # 165. After days of following YENSAN, investigators determined that he did not appear to be employed.

On August 9, 2017, SA Boucher observed YENSAN arrive at the storage unit in a Chevrolet Colorado, one of the vehicles registered to him, and retrieve a bag from unit #165. On August 22, 2017, two individuals were stopped on a traffic violation while leaving YENSAN's neighborhood, and subsequently arrested for possession with intent to manufacture/sell/distribute 2 bindles and 2 bundles of heroin. They were also in possession of approximately 2 grams of high quality marijuana. Both sources stated that they had just been to 8709 Hidden View Court, Raleigh NC, and purchased the narcotics from "Matt and

Dylan." Matt YENSAN is dating Dylan Cummins, and they are frequently together at 8709 Hidden View Court, Raleigh NC. The sources additionally stated that Dylan had bragged that her boyfriend Matt was ordering several pounds of marijuana at a time using the Internet. A few days later while researching this Hidden View Court address, SA Boucher met YENSAN's neighbor, who wanted authorities to know that the YENSAN's house frequently received suspicious deliveries. The neighbor agreed to host a camera aimed at YENSAN's house.

On September 9, 2017, the United States Postal Inspectors Service seized a package with tracking number 9505 5116 3779 7250 1610 33, that was addressed to Y Vending, 8709 Hidden View Ct, Raleigh NC, which had previously been identified as YENSAN's residence. On September 11, 2017, SA Boucher, TFO Pearson and Inspector Dustin Holland with the USPIS had the Wake County Sheriff's office conduct a K9 test on this package. To perform this test, the seized package was placed with 5 other control packages that did not contain any controlled substances. The K9 alerted positively on the package addressed to Y Vending. Y Vending is a company in North Carolina registered to Matt YENSAN. Inspector Holland obtained a federal search warrant signed by the Honorable Magistrate Judge James E. Gates (Case No. 5:17-MJ-1827-JG), and opened the parcel at approximately 2:30 PM on September 11, 2017. The Parcel contained approximately 3 pounds of high grade marijuana.

On September 12, 2017, SA Boucher obtained a federal search warrant signed by the Honorable Magistrate Judge James E. Gates (Case No. 5:17-MJ-1828-JG) for YENSAN's residence located at 8709 Hidden View Court and executed the warrant at approximately 12:55 PM. Agents attempted to deliver the package containing marijuana, but YENSAN stated he did not want it. YENSAN then fled out the back door of the house and had to be chased down. Inside the house, your affiant and agents of the Raleigh Resident office located approximately 12 pounds of high grade marijuana, approximately 2 pounds of shatter, a THC based wax used for smoking, and several bottles of prescription medication not prescribed to YENSAN. Additionally Agents discovered a large amount of United States Currency totaling \$269,068.00 stored in a locked safe. Agents discovered various loaded hand guns and one rifle located in defensive positions throughout the residence and in YENSAN's vehicle. Agents discovered digital evidence, including crypto-currency cold storage cards, a TREZOR cold wallet recovery seed card and bulk postage that corroborate information that YENSAN was dealing primarily on the Internet, particularly on the Dark Net. The recovery seed is 24 words

picked randomly and systematically when a TREZOR wallet is initiated by a user.

Agents of the Raleigh Resident confirmed that YENSAN was the renter of the 404 Gorman Street #165, Raleigh, NC. SA Boucher and TFO Pearson located a fake South Carolina driver's license at YENSAN's residence under the name Jacob Mason Knight, with YENSAN's picture. The storage unit located at 404 Gorman Street #165, Raleigh, NC was rented under the name Jacob Mason Knight which the manager confirmed was the ID used. The manager also recognized a picture of Yensan.

On September 12, 2017, SA Boucher obtained a federal search warrant signed by the Honorable Magistrate Judge James E. Gates (Case No. 5:17-MJ-1830-JG) for YENSAN's storage unit #165 located at 404 Gorman Street, Raleigh, NC and executed the warrant at approximately 6:35 PM. Your affiant and agents of the Raleigh Resident office located approximately 400 pounds of Xanax precursors and Benzodiazepine, approximately 70,000 counterfeit pills of pressed XANAX with a street value of approximately \$4.00 per pill, approximately 200 - 300 USPS shipping boxes containing various amounts of Xanax pills packaged in Mylar bags, three (3) electronic industrial size pill presses, two (2) electronic mixers, and an electronic pill counter. Evidence suggests that YENSAN has been dealing illiegal narcotics since 2011. These items are consistent with the SOI's description of YENSAN mass producing Xanax in pill presses and selling them on the Dark Net.

On September 13, 2017, YENSAN was charged by criminal complaint (Case No. 7:15-MJ-1829-RN) for violations of 21 U.S.C. § 841(a) and 18 U.S.C. § 924(c).

On September 15, 2017, SA Boucher obtained a federal search warrant signed by the Honorable Magistrate Judge James E. Gates (Case No. 5:17-MJ-1853-JG) for YENSAN's electronic media that included computers, cellular telephones, thumb drives and SD cards. The electronic media search revealed the PGP (Pretty Good Privacy) keys for YENSAN's Dark Web vendor name "LEXIE". DEA investigators had previously identified dark web marketplace AlphaBay vendor "LEXIE" as a Xanax dealer. Bitcoin digital currency was the method of payment used to purchase Xanax from YENSAN's AlphaBay vendor name "LEXIE".

On September 25, 2017, SA Boucher and TFO Pearson obtained a new TREZOR device and used the recovery seed that had been recovered from YENSAN's safe during the September 12, 2017, search to re-

constitute the TREZOR wallet. The wallet was found to contain 182.7462777 Bitcoin with an equivalent US Dollar value of \$715,151.97. The 182.7462777 Bitcoin has remained in its current form and has not been converted to US Currency or any other fiat currency.

CONCLUSION

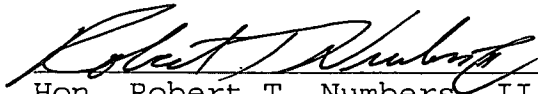
Based on the facts and circumstances related above, your Affiant believes that probable cause exists to conclude that the above-referenced 182.7462777 Bitcoin in a Trezor device wallet with an approximate value of \$715,151.97, was used or intended to be used in exchange for controlled substances or represents proceeds of trafficking in controlled substances or was used or intended to be used to facilitate a violation of the Controlled Substances Act and is, therefore, subject to forfeiture to the United States pursuant to 21 U.S.C. § 881(a)(6).

Further the affiant saith naught.



Matthew Pearson
Task Force Officer
Drug Enforcement Administration

Taken, subscribed, and sworn to before me this 2nd day of October, 2017.



Hon. Robert T. Numbers, II
United States Magistrate Judge